



**STAFF REPORT**

TO: WEST MARIN LOCAL AREA COMMITTEE

FROM: Roy Bateman, Community Development Manager

SUBJECT: Recommendations for Funding 2015-16  
Community Development Block Grant (CDBG) Proposals

DATE: March 10, 2015

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The recommendations from Community Development Block Grant staff for funding projects in the West Marin Planning Area are listed below. These recommendations will be presented and considered at the West Marin Planning Area public hearing on Wednesday, March 18, 2015, at 7:00 p.m., at the Board Room, Dance Palace Community Center, 503 B Street, Point Reyes Station.

**CDBG and HOME Grant Amounts**

In recent years, delays in setting the federal budget have become so routine that the U.S. Department of Housing and Urban Development (HUD) issued formal guidelines for localities on how to prepare CDBG and HOME Investment Partnerships Program (HOME) grant applications when their funding allocations are not known before the filing deadline.

This year, HUD announced our CDBG and HOME grant amounts before the start of Marin's public hearing process! Marin's actual grant amounts are affected by changes in the overall program funding in the federal budget, and by changes in how Marin ranks on demographic factors (population, poverty, overcrowded housing, etc.) in comparison with other grantees. Our 2015-16 CDBG allocation is \$1,295,584, and our HOME allocation is \$566,224. This represents a 0.9% increase in CDBG and a 10.4% decrease in HOME.

**Trends in the CDBG and HOME Programs**

Nationally, the most important long-term trend in the CDBG and HOME Programs is the decline in funding. Less money means less impact, and unless other funding sources fill the gap, it means fewer and/or smaller projects. As grants decline and personnel costs

increase, we are likely to see a gap between actual administrative costs and the amount HUD allows for administration.

Meanwhile, HUD is requiring increased documentation for our projects, partly because Congress is divided on whether CDBG and HOME are worthy of support, and partly because it's easy to add additional data fields to HUD's computer system. HUD is increasingly using its computer system as a management and monitoring tool, making it increasingly risky to fund projects that might not quickly generate beneficiary statistics. The increased emphasis on accountability creates disincentives for risk-taking. In a system where HUD demands repayment of funds advanced for projects that fail, it becomes riskier to fund an inexperienced project sponsor or to provide the first dollars for a promising new idea.

Locally, there has been an increasing emphasis on the extent to which racial and ethnic minorities are served by CDBG and HOME projects, and the quality of each project sponsor's affirmative marketing plan. (Affirmative marketing is a process by which an organization determines which racial and ethnic groups are least likely to apply for its services, followed by targeted marketing efforts to reach those "least likely to apply" groups.)

### **Spending Deadlines**

The ability to spend funds quickly has become increasingly important. Under pressure from Congress, HUD is becoming more aggressive about taking CDBG funds away from communities that can't spend them fast enough. HUD takes sanctions if, on the annual test date in late April, a community has unspent CDBG funds that exceed 1.5 times its annual CDBG grant amount. We are typically very close to the allowable limit of unspent funds. If our CDBG grant declines, the amount of unspent funds we are permitted to hold also declines. Therefore, we should be careful to target CDBG funds to projects that are ready to proceed.

### **CDBG Administrative Expenses Likely to Exceed Limit**

It is becoming more of a challenge to operate the Marin CDBG program within the administrative allowance set by the regulations. CDBG regulations limit administrative expenses to 20% of available funds.

The list below shows the trend in the percentage of Marin CDBG funds spent for administration in recent years:

Fiscal Year	Percentage of Marin CDBG Funds Spent for Administration
1999-2000	12.97%
2000-01	15.86%
2001-02	17.57%
2002-03	13.21%
2003-04	11.09%
2004-05	13.09%
2005-06	15.13%
2006-07	16.62%
2007-08	19.50%
2008-09	16.74%
2009-10	19.87%
2010-11	20.00%*
2011-12	18.74%
2012-13	22.69%**
2013-14	18.22%

\*The 2010-11 entry includes \$65,500 booked as an unliquidated obligation for accrued liability for future retiree health benefits, which will have the effect of reducing our administrative percentage at some point in the future.

\*\*For 2012-13, because the amount we could bill HUD was limited to 20%, the County general fund absorbed the remaining 2.69% (\$39,116).

Administrative, monitoring, and regulatory requirements from the federal government have been increasing. Congress wants greater accountability and more recordkeeping, and as HUD enhances its computer system, we are asked to feed that system more information. Changes in government accounting standards and local accounting systems require more complex work to assure that transactions are posted correctly. One way to reduce the administrative workload would be to reduce the number of projects we have to administer. If we reduce the number of projects, we will reduce the volume of project contracts, project monitoring reports, invoice processing, and accounting so that our workload can better match our staffing level.

There are certain fixed costs of basic HUD compliance, reporting, and monitoring of past projects. There are no indications that Congress or HUD will reduce the administrative requirements they impose on localities. There are also variable costs for contract administration, reporting, invoice processing, and accounting, which are largely dependent on the number and complexity of projects we fund.

The CDBG program regulations allow us to spend 20% of available grant funds on administrative costs (including staff, rent, overhead, and office expenses). In that formula, available grant funds also include revenue (“program income”) received from past projects, such as repayments of loans made by the Rehabilitation Loan Program and payments in conjunction with the sale of properties that were purchased or improved with CDBG funds. Because the CDBG program is operated by the County, the County is solely responsible for the risk that administrative costs may exceed the grant’s allowance for administration.

### **Reducing the Overall Number of Projects**

Over the last 14 years, the number of CDBG projects funded each year has fluctuated between 30 and 52 projects per year. In the 2011-12 program year, Marin funded 37 CDBG projects, consisting of 14 housing projects, 5 capital projects, and 18 public service projects. In the 2012-13 program year, Marin funded 31 CDBG projects, consisting of 9 housing projects, 5 capital projects, and 17 public service projects. In the 2013-14 program year, Marin funded 32 CDBG projects, consisting of 12 housing projects, 4 capital projects, and 16 public service projects. Last year, Marin funded 33 CDBG projects, consisting of 13 housing projects, 5 capital projects, and 15 public service projects.

In order to bring actual CDBG administrative costs closer to balance with the administrative allowance provided by the CDBG grant, staff recommends that we attempt to stabilize, and perhaps reduce, the number of projects in the 2015-16 program year. Administrative costs are not strictly proportional to the number of projects, partly because there is a fixed cost for meeting HUD planning and reporting requirements.

## **Recommendations for the West Marin Planning Area**

The staff recommendations for the use of CDBG West Marin Planning Area funds are shown in the table on page 7.

This year, HUD announced our CDBG grant amount before our annual public hearing process began. (See page 1 of this report.) However, there is a small chance that HUD will change our grant amount, or that the calculations in our local allocation formula will need minor revisions. To avoid the need for an additional hearing, staff recommends that if there is a change in the grant allocation, the grant amounts set at the West Marin Local Area Hearing be subject to revision. At that time, staff would recalculate the amounts available for each planning area, and for each activity category. To the extent that cuts are needed or additional funds are available, staff would adjust the preliminary project grant amounts, so that the final funding amounts will be proportional to the amounts approved at the West Marin hearing. Where feasible, staff would then round numbers to the nearest hundred dollars. If additional funds are available, the adjustment would be limited so that no project receives more than the amount the sponsor requested.

The table on page 7 lists all the applications received and the amount staff recommends for each project, as well as some additional information about the equal opportunity impact of each proposal. In view of the commitments the County has made in the Implementation Plan for its Analysis of Impediments to Fair Housing Choice, we are including information about the extent to which racial and ethnic minorities are being served by potential projects, and ratings of each applicant's affirmative marketing plans. Affirmative marketing is a process by which an organization analyzes which racial and ethnic groups are least likely to apply for its services, followed by targeted marketing efforts to reach those "least likely to apply" groups. (Please note that federal guidelines recognize Hispanic status as an ethnicity, not as a race.)

For projects which have previously received CDBG funding, we have included the percentage of clients who are racial minorities and the percentage of clients who are Hispanic, based on reports that have been previously filed by the sponsors. For new proposals, not previously funded by CDBG, we did not report this information, and have noted "new" in the data columns.

For all proposals, we have included a staff evaluation of the sponsor's answer to the affirmative marketing question on the CDBG application. An "A" grade indicates that the applicant analyzed which racial and ethnic groups are least likely to apply for its project, and clearly stated how they would market their project specifically to the "least likely to apply" groups. A "B" grade indicates that the applicant was responsive to the question, but was not specific enough in its analysis of which racial and ethnic groups are least likely to apply, was too general in its proposed affirmative marketing activities, or proposed weak affirmative marketing actions. A "C" grade indicates that the applicant was not responsive to the question. In some cases, the quality of an applicant's response

to the affirmative marketing question is very different from its actual affirmative marketing performance. It is also possible for a project to be very effective in serving a particular minority group but to be less effective in affirmatively marketing its services to other demographic groups.

**WEST MARIN PLANNING AREA - 2015-16**

TYPE	PROJECT #	PROJECT NAME	If previously funded project, data reported:		Grade on Affirmative Marketing Plan	APPLICANT'S REQUEST	Recommended New Funds
			% Racial Minorities	% Hispanic			
Housing	WH - 1	Rehabilitation Loan Program	17%	13%	A	\$15,000	
	WH - 2	Stockstill House	0%	0%	B	\$13,000	\$9,429
	WH - 3	Walnut Place	NEW	NEW	A	\$450,000	
							<b>\$478,000</b>
Capital	WC - 1	Tomales Town Hall-Rehabilitation	4%	22%	C	\$20,839	\$11,197
						<b>\$20,839</b>	<b>\$11,197</b>
Public Services	WS - 1	SGVCC Human Services Program	8%	69%	A	\$18,000	\$6,100
	WS - 2	West Marin Community Resource Center	NEW	NEW	A	\$10,000	
	WS - 3	West Marin Senior Services (Home Care Assistance for the Elderly)	2%	1%	A	\$10,000	\$4,705
						<b>\$38,000</b>	<b>\$10,805</b>
Marin County, 2010 Census			14%	16%	<b>TOTAL</b>	<b>\$536,839</b>	<b>\$31,431</b>
<b>Total funds available for Planning Area</b>							<b>\$31,431</b>
<b>Maximum funds available for Public Services</b>							<b>\$10,805</b>
<b>Minimum funds required for Housing (County policy requires each planning area to allocate at least 30% of its funds for housing.)</b>							<b>\$9,429</b>

## **HOUSING PROJECT**

1. Stockstill House (West Marin Senior Services)

West Marin Senior Services owns the Stockstill House, a four-bedroom house in Point Reyes Station which it operates as an assisted living facility. The Stockstill House provides seniors with care services in a home-like setting. With past assistance from CDBG and from the Rehabilitation Loan Program, West Marin Senior Services improved the septic system, renovated a bathroom to give it full handicapped accessibility, made kitchen improvements, improved the outdoor garden, repaired a roof leak, partially replaced the exterior plywood siding, and installed new vinyl flooring in the kitchen, dining room, and foyer.

West Marin Senior Services seeks funding to reduce the build-up of heat in the upper level of the house, which is used as an administrative office, and to build a wheelchair ramp from the rear deck to the backyard. The recommended funding should be sufficient to install sun-filtering film on the skylight and to build the wheelchair ramp. The sun-filtering film might not provide enough relief from the heat, but it makes sense to start with that approach before installing a fan or an air conditioner.

Equal Opportunity Analysis: Racial minorities and Hispanics are under-represented among the residents of Stockstill House, partly because racial minorities and Hispanics are under-represented among the elderly in West Marin. The sponsor's affirmative marketing proposal is responsive (rated B).

Because the CDBG allocation for West Marin is so small, only one housing project was recommended for funding from West Marin CDBG funds.

In view of the limited amount of funding in West Marin, staff did not recommend funding for the Rehabilitation Loan Program, a countywide program operated by the Marin Housing Authority. Staff will recommend the Rehabilitation Loan Program for funding from other Planning Areas and from CDBG Countywide Housing funds.

The amount available from the West Marin Planning Area is tiny in comparison to the request for funding for the Walnut Place senior apartments. Walnut Place will also be considered for CDBG Countywide Housing funds and HOME Program funds.



## **CAPITAL PROJECT**

1. Tomales Town Hall (Tomales Town Hall)

The Tomales Town Hall, built in 1874, serves as a community center for Tomales. It is managed by a non-profit organization which maintains the building and sponsors programs and events for the community. Its Board of Trustees has energetic members who have brought a spirit of activism and enthusiasm to community volunteer efforts to upgrade this community center. The Board has raised over \$170,000, not including grants or a recent bequest. With the proceeds, the Board has retired the debt on adjacent property they purchased to improve handicapped accessibility and to develop an outdoor gathering area.

Previously, CDBG funds were allocated toward insulating the building and replacing a noisy and inefficient heater. Those projects have been completed. The completed improvements have increased energy-efficiency, and also make the Town Hall more inviting for event rentals, thereby increasing the building's utilization and producing needed revenue.

Community volunteers have logged several thousand hours, making it possible to maintain and improve the Hall, expand community participation, and secure other grant funds. Because volunteers have contributed so much labor, past CDBG grants have accomplished major rehabilitation for only the cost of materials.

Currently, the Board is seeking funding toward additional repairs to upgrade the building, including installation of panic hardware on doors, painting, and improvements to doors, windows, and stairs. Staff recommends CDBG funding towards these improvements.

Equal Opportunity Analysis: Hispanics are well-represented among the beneficiaries of this program. The project sponsor has done significant public outreach to Hispanics, resulting in greatly expanded community use of this facility. While the sponsor's written affirmative marketing proposal is not responsive (rated C), that is not reflective of the successful outreach work they have accomplished.

There were no other capital project proposals in West Marin this year.

**PUBLIC SERVICE PROJECTS**

1. Human Services Program (San Geronimo Valley Community Center)

The San Geronimo Valley Community Center provides a variety of social service, recreational, day care, emergency food, and educational programs for residents of the San Geronimo Valley. The recommended allocation would pay for a portion of the human services manager's salary.

Equal Opportunity Analysis: Hispanics are very well-represented among the beneficiaries of this program. The sponsor's affirmative marketing proposal is excellent (rated A).

2. West Marin Senior Services--Home Care Assistance for the Elderly (West Marin Senior Services)

West Marin Senior Services provides frail elderly and younger disabled people with home care referrals, assistance with care management, transportation, counseling, case management, home-delivered meals, loans of homecare equipment, and other assistance to enable them to continue living in their homes independently. Last year, West Marin Senior Services had 263 active clients receiving direct care management services. The recommended funds would pay for a small portion of the salaries of staff members who help clients make arrangements for home care services.

Equal Opportunity Analysis: Racial and ethnic minorities are under-represented among the beneficiaries of this program, partly because racial and ethnic minorities are under-represented among the elderly in West Marin. The sponsor's affirmative marketing proposal is excellent (rated A).

Staff recommends that we continue to fund public services at the maximum level permitted by the CDBG regulations (15% of the grant, plus 15% of any income returned to the program), but that we continue to limit the number of projects. By limiting the number of projects, we help to limit CDBG administrative expenses without diminishing the amount of public service funding. Limiting the number of public services also results in a higher average grant in the public service category. In the West Marin Planning Area, staff is recommending two public service projects for funding this year, the same number that was funded last year. Staff also considered the ongoing need for locally-based services that are accessible to residents of the geographically large area of rural West Marin.